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October 2, 2006

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**SUBJECT: AUDIT OF THE VOYAGER FUEL CREDIT CARDS MANAGED BY
FLEET MANAGEMENT**

Introductory Remarks

In compliance with Article V, Section 6, of the San Bernardino County Charter, the Board of Supervisor's Policy Statement 02-02 on Internal Operational Auditing, and Chapter 2 of the Internal Controls and Cash Manual, we have completed an operational audit of the Voyager Fuel Cards managed by the Fleet Management Department (Department). Our audit was conducted in accordance with the standards developed by the Institute of Internal Auditors.

Background

The Department consists of the Garage, Motor Pool, and Administrative divisions which provide vehicles, equipment, and related services to County officials and employees so they can properly serve County residents.

The Department administers the single fleet fueling card service for all County departments except Special Districts, Consolidated Fire District, and the Sheriff's Department. The Department uses the Voyager Fleet System to activate and deactivate fuel cards, as well as track fuel obtained for each assigned vehicle. Each department is responsible for requesting fuel cards to be used by eligible County employees on County business when a County-operated fueling site is not available. Cards can be used for diesel fuel, gasoline, other vehicle-related needs such as an oil change or car wash, emergency repairs, and emergency road-side assistance.

As of June 30, 2006, the Department had distributed 841 of the approximately 1,358 active Voyager fuel cards sent by the vendor, Voyager Fleet Systems Inc., in

November, 2004. All cards are valid through December, 2007, unless individually canceled by the Department's personnel.

Fuel activity reports generated by the Voyager Fleet System may be summarized at the department level, as well as detailed to reflect transactions for individual fuel card numbers as well as individual vehicle numbers. Monthly usage is reported to the Department on a data file, which is downloaded into FASTER via Fuel Force where the Department markup amount is included. User departments are subsequently billed through the Financial Accounting System (FAS).

The Department's Accounts Payable Section receives the monthly Voyager invoice. This section is responsible for researching repair billings or unusual items prior to preparing and approving the payment voucher which is then forwarded to the Auditor/Controller-Recorder's Office for processing. Total Voyager payments are approximately \$400,000 annually.

Scope of Audit

Our overall objective was to determine whether the Voyager fuel cards were effectively managed. Specific audit objectives were to determine whether:

1. Controls in place for Voyager fuel card management were reasonable;
2. Voyager fuel cards were used only for allowable purchases, for assigned County vehicles, and for County business; and
3. Monthly billing statements are reconciled both by Fleet Management and user departments to validate charges.

Our audit was for the period January 1, 2006 through June 30, 2006.

We conducted our audit according to the International Standards for the Professional Practice of Internal Auditing published by the Institute of Internal Auditors and included tests of the accounting records, inquiries, and other procedures considered necessary. We reviewed Fleet Management oversight and administrative functions, as well as user department internal controls over Voyager fuel cards.

A draft report was sent to the Department on December 7, 2006 and was discussed with management on December 7, 2006. The department's responses to our recommendations are included in this report.

Overall Conclusion

As a result of our analysis and tests performed, we conclude that the Voyager Fuel Cards were not effectively managed. During our audit, management initiated several processes to address the findings discussed in this report.

Findings and Recommendations

The specific policies, procedures, and practices that need improvement are discussed below.

Finding 1: Management did not provide users with written guidance for the use of the Voyager fuel cards.

The County's Internal Controls and Cash Manual, Chapter 2, requires that operating policies and procedures be well documented and communicated to employees. However, during our audit, we noted that 75 percent of County departments sampled had no written procedures in place regarding the use of assigned Voyager fuel cards. We did note that cards issued with Motor Pool loaner vehicles by the Motor Pool Section were generally accompanied by written instructions.

The lack of written instructions regarding the use of the Voyager cards in the custody of user departments could result in some employees being unaware of the limitations attached to the use of these cards, resulting in unauthorized expenditures of County funds.

Recommendation:

The Fleet Management Director should update written procedures regarding the use of the Voyager cards. Procedures should address Fleet Management's oversight responsibilities as well as department and individual user responsibilities. The procedures should be distributed to all card users.

Management's Response:

Fleet Management agrees with the findings/recommendations and has completed the following:

1. Fleet Management issued written procedures to each Voyager Card user. These procedures were discussed with the AC/R prior to being issued.

Auditor's Response:

The Department's response addresses planned actions as well as actions taken to correct deficiencies noted in the finding.

Finding 2: Departments did not have a system in place to track the receipt and issuance of assigned fuel cards and periodic inventories were not conducted.

The County's Internal Controls and Cash Manual, Chapter 2, requires assets be recorded, and periodically inventoried to verify their existence. However during our audit, we noted there was limited accountability over the receipt and issuance of fuel cards. For example,

- The Department did not know how many cards had been received from the vendor. While the vendor's representative stated 1,358 cards had been issued prior to June 30, 2006, Fleet disagrees with this number, but admitted a record of all cards received had not been prepared.
- Cards were recorded only when distributed; undistributed, active cards were not recorded or inventoried.
- Fleet's record of distributed cards generally did not agree with the records provided by sampled user departments. For example, the list of Voyager cards provided by 93 percent of the responding departments in the sample did not agree with the records maintained by Fleet. Further, one of these departments stated they were unaware they had been issued any Voyager cards.
- In general, cards were issued to departments in bulk instead of assigned to specific vehicles as stipulated by Fleet, and the assigned vehicle numbers were not always provided by user departments.
- Data recorded in the Fleet Management electronic database, used to record cards distributed to user departments, was sometimes overwritten, thus removing an audit trail. For example, when a department returned a card or a card was reported as lost or stolen, the notation made in the database replaced the assigned vehicle number. Charges to user departments are tied to the vehicle number.

Because the Department does not have a system in place to track the receipt, issuance, and on-going existence of Voyager cards, cards could be lost, stolen, or misappropriated, and such discrepancy would remain undetected, resulting in the unauthorized expenditure of County funds.

Recommendation:

The Fleet Management Director should:

1. Verify, with the vendor, all active Voyager cards received by Fleet Management, and immediately cancel all cards which cannot be accounted for.

Finding 2: Departments did not have a system in place to track the receipt and issuance of assigned fuel cards and periodic inventories were not conducted. - *Continued*

2. Record and periodically inventory all Voyager cards maintained by Fleet and user departments.
3. Issue cards to a specific County vehicle, recording all relevant details needed to establish accountability.
4. Maintain complete historical use data, including vehicle number and card status.

Management's Response:

Fleet Management agrees with the findings/recommendations and has completed the following:

1. Fleet Management canceled all existing cards with the vendor and obtained new "vehicle specific" cards.
2. Fleet Management inventoried all new Voyager Cards as they were received. The department also wrote a new policy that requires an annual inventory of all Voyager cards (to be conducted at the end of the fiscal year by the Motor Pool Manager and the Business Office Supervisor). Fleet Management has secured ALL cards that were not issued, in a safe in the Motor Pool, with very limited and recorded access.
3. Fleet Management now issues "vehicle specific" cards and only to requesting user departments. All relevant accountability information (vehicle number, card number, user department, date of issuance, name of user or supervisor, employee ID, and phone number) is captured/recorded when cards are issued.
4. Logs, forms and procedures were modified to ensure all historical card usage data is captured/maintained.

Auditor's Response:

The Department's response addresses planned actions as well as actions taken to correct deficiencies noted in the finding.

Finding 3: Voyager cards provided with loaner vehicles were not properly recorded and tracked.

Motor Pool maintains the Credit Card Dispatch Log designed to record and track the issuance and return of Voyager fuel cards used with loaner vehicles. However, a review of 30 entries made during the audit period revealed 70 percent of the sampled transactions were not properly completed. For example:

- 12 entries did not provide the driver's last name, including one with neither first nor last name;
- 2 entries did not include the name or acronym of the responsible department;
- 10 entries did not include the phone number of the driver or department contact;
- 2 entries did not include the date the card was issued to the driver or department;
- 6 entries did not indicate when the card was scheduled to be returned;
- 8 entries did not show that the card was returned to Motor Pool; and
- 1 entry did not include the vehicle number to which the card was assigned.

When the Credit Card Dispatch Log is not properly completed and reviewed, its effectiveness as a tracking and monitoring tool is significantly reduced. The lack of complete data makes it difficult to assign accountability for losses incurred and discrepancies may not be detected, researched, and resolved in a timely manner.

Recommendation:

The Fleet Management Director should ensure Motor Pool personnel:

1. Review the Credit Card Dispatch Log, research observed discrepancies, and update the log where possible.
2. Ensure all cards recorded in the log are properly accounted for.
3. Properly record each transaction.
4. Periodically, at least monthly, conduct a supervisory review of the log to ensure entries are properly completed and all discrepancies are resolved in a timely manner.

Finding 3: Voyager cards provided with loaner vehicles were not properly recorded and tracked. - *Continued*

Management's Response:

Fleet Management agrees with the findings/recommendations and has completed the following:

1. New instructions were implemented to ensure that all fields in the Dispatch Log are completed with every issuance of Voyager credit cards.
2. When Motor Pool vehicles are returned, a Motor Pool employee verifies if a card was issued and if so, the returned date is entered in Dispatch Log to complete issued/returned cycle/log.
3. Receipts, if any, are also collected from the "renter," pertinent information is verified and/or recorded on the receipt and forwarded to the Business Office for final reconciliation.
4. The Motor Pool Manager has been instructed to complete monthly audits of the Dispatch Log and report results to the Director.

Auditor's Response:

The Department's response addresses planned actions as well as actions taken to correct deficiencies noted in the finding.

Finding 4: Established controls over the use of Voyager fuel cards need to be monitored and enforced.

The Internal Controls and Cash Manual, Chapter 2, states that County Managers are responsible for establishing appropriate internal controls to provide reasonable assurance that objectives are being met in a supportive control environment.

The County of San Bernardino Standard Practice Number 12-04, *Vehicle Services Rules and Procedures*, requires that each credit card be used only for the assigned vehicle. It also requires that Department Heads monitor credit card purchase invoices to ensure that the necessary information has been provided for proper accounting and that credit card purchases were necessary.

The January 5, 1972 Memorandum ...*Instruction on the Utilization of Credit Cards*, limits gasoline purchases to "regular grade only" unless otherwise specified.

Finding 4: Established controls over the use of Voyager fuel cards need to be monitored and enforced. - *Continued*

However, during our test of controls over the use of the Voyager fuel cards, we noted that established guidelines were not always complied with. For example, we observed the following:

1. Odometer readings entered at the pump were often unreasonable and miles per gallon calculations were incorrect.
2. There was one car wash for \$179 which the user department stated was a detailing job.
3. One item of food was purchased.
4. Voyager card use per vehicle was not monitored. In several instances, cards assigned to particular vehicles were used to fuel different vehicles, some of these transactions occurring within minutes.
5. The type and amount of fuel invoiced per vehicle were not properly monitored:
 - 128 non-regular grade fuel transactions occurred during the audit period;
 - 4 vehicles were invoiced for both gasoline and diesel fuel; and
 - There were several instances when the same vehicle was fueled more than once on the same day, sometimes within minutes.

All of these conditions occurred because existing procedures were not monitored and enforced. The lack of control over the use of Voyager cards results in the unauthorized expenditure of County funds.

Recommendation:

The Fleet Management Director should:

1. Monitor reported activity to ensure cards are used responsibly and only for approved County expenditures.
2. Update card use procedures to include recommended limitations on card usage, such as not allowing the purchase of personal items, input accurate odometer readings, and only using a set grade of fuel.
3. Distribute updated card use procedures to all card users.

Finding 4: Established controls over the use of Voyager fuel cards need to be monitored and enforced. - *Continued*

Management's Response:

Fleet Management agrees with the findings/recommendations and has implemented the following:

1. Fleet Management will review all Voyager transactions monthly. Purchases other than regular gasoline or diesel will be researched and verified for appropriateness. If Fleet Management cannot determine that a transaction was appropriate, the respective department will be asked to research/validate the purchase.
2. Fleet Management has updated the fueling procedures to require correct odometer readings and that only regular grade unleaded or diesel fuel is to be purchased. Many occasional repair items are included in the "personal items" category for credit card purchases; therefore, the cards may not be limited in this area since they would then be precluded for repair charges. However, Fleet Management will monitor fuel type purchases (other than regular unleaded and diesel) as well as all miscellaneous purchases for appropriateness/exceptions.
3. Updated procedures were distributed along with each new card.

Auditor's Response:

The Department's response addresses planned actions as well as actions taken to correct deficiencies noted in the finding.

Finding 5: Monthly Voyager charges were not validated prior to payment.

The State of California Standard Agreement Number DGS-OFA-03-FC-1 requires each subscriber to manage and monitor its own Voyager fuel card account. Further, the County's Internal Controls and Cash Manual, Chapter 2, requires management to implement controls to ensure that billings are generated in a timely manner and that these are checked for accuracy. However, we noted monthly Voyager bills were being paid without verification of the charges. For example,

- Monthly billings, averaging over \$30,000 per month, were not validated, by Fleet or user departments, prior to payment of the vendor's invoice.
- Fleet's monthly charges billed to user departments did not match the vendor's monthly invoice for the same period. This occurred because the vendor's electronic data file used by Fleet to bill user departments was either received or posted late.

Finding 5: Monthly Voyager charges were not validated prior to payment. -
Continued

Because reconciliation of Voyager card charges to actual charge records was not accomplished, inaccurate charges could be made by the vendor and paid by the County. Further, user departments may have been inappropriately charged.

Recommendation:

The Fleet Management Director should ensure a reconciliation of the monthly Voyager invoice to user charges is performed prior to payment. Considering the large number of Voyager cards in the possession of the departments, the Fleet Management Director should require departments validate their Voyager charges, providing Fleet Management with a written statement of the validity of the charges. To assist departments in validating their Voyager billings, the Fleet Management Director should coordinate between the vendor and user departments to obtain billings in an easily reconcilable format.

Management's Response:

Fleet Management agrees with the findings/recommendations and has implemented the following:

Reports will be generated monthly to compare transactions "billed from Voyager" to "charges billed to Fleet Management clients." The Business Office Supervisor is responsible for making this comparison, reconciling any discrepancies and reporting the final results to the Director monthly. As discussed/agreed upon with the AC/R, this reconciliation is sufficient to justify payment to the vendor.

All departments that have used their cards within the current month will then be required to validate their charges. This will be achieved on Fleet Management's "Voyager Reconciliation" web utility. The approved department representative will access this password-protected utility, reconcile charges/receipts and "Approve Charges." "Approving Charges" will automatically send Fleet Management an email that will be filed according to AC/R's recommendations. Failure to comply with this reconciliation will result in a temporary blockage on the offending department's Voyager cards.

Auditor's Response:

The Department's response addresses planned actions as well as actions taken to correct deficiencies noted in the finding.

Audrpt/Roger Weaver, Director
Fleet Management Department
October 2, 2006
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Thank you very much for the cooperation extended by your staff during the course of this audit. A follow-up review will be conducted during the next audit cycle.

Respectfully submitted,

Larry Walker
Auditor/Controller-Recorder

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